

**OTTAWA LIBRARY**

Ottawa, Kansas

FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT

December 31, 2020

# OTTAWA LIBRARY

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Ottawa Library  
Ottawa, Kansas

### Report in the financial statement

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of Ottawa Library and related municipal entities, as of and for the year ended December 31, 2020 and the related notes to the financial statement.

### *Management's Responsibility for the Financial Statement*

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note C to meet the financial reporting requirements of the State of Kansas; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Kansas Municipal Audit and Accounting Guide*. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinions

#### *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles*

As described in Note C of the financial statement, the financial statement is prepared by the Ottawa Library to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note C and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

#### *Adverse Opinion on U.S. Generally Accepted accounting Principles*

In our opinion, because of the significance of the matter discussed in the "Basis of Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial

position of Ottawa Library as of December 31, 2020, or changes in financial position and cash flows thereof for the year then ended.

### ***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the Ottawa Library as of December 31, 2020, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note C.

### **Other Matters**

#### ***Report on Regulatory Basis Supplementary Information***

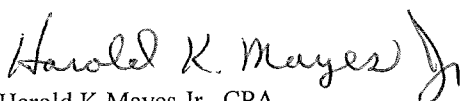
Our audit was conducted for forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditure-actual and budget and individual fund schedules of regulatory basis receipts and expenditures-actual and budget (Schedules 1, and 2 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note C.

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2021 on our consideration of Ottawa Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ottawa Library's internal control over financial reporting and compliance.

#### ***Prior Year Comparative***

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of Ottawa Library as of and for the year ended December 31, 2019 (not presented herein), and have issued our report thereon dated April 3, 2020, which contained an unmodified opinion on the basic financial statement. The 2019 basic financial statements and accompanying report are not presented herein, but available in electronic form from the web site of the Kansas Department of Administration at the following link <http://admin.ks.gov/offices/oar/municipal-services>. The 2019 actual column (2019 comparative information) presented in the individual fund schedules of regulatory basis receipts and expenditures – actual and budget for the year ended December 31, 2020 (Schedule 2 as listed in the table of contents) is presented for purposes of additional analysis and is not a required part of the basic financial statement. Such 2019 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2019 basic financial statement. The 2019 comparative information was subjected to the auditing procedures applied in the audit of the 2019 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2019 basic financial statement or to the 2019 basic financial statements itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2019 comparative information is fairly stated in all material respects in relation to the basic financial statement as a whole for the year ended December 31, 2019, on the basis of accounting described in Note C.



Harold K Mayes Jr., CPA  
Agler & Gaeddert, Chartered  
Ottawa, Ks.  
April 30, 2021

# OTTAWA LIBRARY

## SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH REGULATORY BASIS

For the year ended December 31, 2020

Fund	Beginning Unencumbered Cash Balance	Cash Receipts	Expenditures
<b>Governmental Type Funds</b>			
General fund	\$ 133,535	\$ 1,130,895	\$ 1,074,821
<b>Special Purpose Funds</b>			
Capital Improvement fund	98,066	130,579	52,993
<b>Related Municipal Entity</b>			
Endowment fund	518,056	54,855	5,672
Friends of the Library	3,553	8,302	7,723
Franklin County Literature Festival	21,810	11,345	1,574
	\$ <u>775,020</u>	\$ <u>1,335,976</u>	\$ <u>1,142,783</u>

The accompanying notes are an integral part of this statement.

Statement 1

<u>Ending Unencumbered Cash Balance</u>	<u>Add Outstanding Encumbrances and Accounts Payable</u>	<u>Ending Cash Balance</u>
\$ 189,609	\$ 30,509	\$ 220,118
175,652	550	176,202
567,239	0	567,239
4,132	0	4,132
<u>31,581</u>	<u>0</u>	<u>31,581</u>
\$ <u>968,213</u>	\$ <u>31,059</u>	\$ <u>999,272</u>

**Composition of cash and investments:**

Petty cash	\$ 140
Deposits at banks	
Checking account	165,218
Money market accounts	262,543
Related Municipal Entity	
Money market accounts	4,132
Deposits at trust	
Equity investments	<u>567,239</u>
	\$ <u>999,272</u>

The accompanying notes are an integral part of this statement.



# OTTAWA LIBRARY

## NOTES TO FINANCIAL STATEMENT

December 31, 2020

### NOTE A. MUNICIPAL REPORTING ENTITY

The Ottawa Library operates under a seven-member form of government, which is appointed by the Ottawa city commission. The Ottawa Library is a separately administered organization that is dependent on the City of Ottawa for the levy of the Library's taxes and appointment of the respective governing board. The Library's financial statements are included in the City of Ottawa's annual financial statements. These financial statements present the Library and its related municipal entities. The related municipal entities are included in the Library's reporting entity because they are established to benefit the Library and/or its constituents.

#### *Related municipal entity:*

1. The Endowment Fund is a separate nonprofit corporate entity under 501 (c) 3 of the internal service code and provides support for the Library and means for individuals to gift cash, stocks or bonds.
2. The Friends of the Library is a separate nonprofit corporate entity under 501 (c) 3 of the internal service code and provides support for the Library.
3. The Franklin County Literature Festival is an organization that annually supports a literature festival.

### NOTE B. REGULATORY BASIS FUND TYPES

The accounts of the Library are organized and operated on the basis of funds. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The Library potential could have the following types of funds.

**General Fund** – the chief operating fund. Used to account for all resources except those required to be accounted for in another fund.

**Special Purpose Funds** – used to account for the proceeds of specific tax levies and other specific revenues sources that are intended for specific purposes.

**Bond and Interest Fund** – used to account for the accumulation of resources, including tax levies, transfers from other funds and used to make payments of general long-term debt. The Library did not have any funds of this type for the current year.

**Capital Project Fund** – used to account for the debt proceeds and other financial resources to be used for acquisition or construction of major capital facilities or equipment.

**Business Fund** – funds financed in whole or part by fees charged to users of goods or services (i.e. enterprise and internal service funds etc.). The Library did not have any funds of this type for the current year.

**Trust Fund** – funds used to report assets held in trust for the benefit of the municipal financial reporting entity (i.e. pension funds, investment trust funds, private purpose trust funds which benefit the municipality reporting entity scholarship funds, etc.).

**Agency Fund** – funds used to report assets held by the municipal reporting entity in purely a custodial capacity (payroll clearing fund, county tax collection accounts, etc.). The Library did not have any funds of this type for the current year.

## OTTAWA LIBRARY

### NOTES TO FINANCIAL STATEMENT

December 31, 2020

#### NOTE C. BASIS OF ACCOUNTING

*Regulatory Basis of Accounting and departure from Accounting Principles Generally Accepted in the United States of America* - The KMAAG regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis revenues and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligations against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt assignment to a fund, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than mentioned above.

Ottawa Library has approved a resolution that it is in compliance with K.S.A. 75-1120a (c) waiving the requirement for application of generally accepted accounting principles and allowing the municipality to use the regulatory basis of accounting.

#### NOTE D. BUDGETARY INFORMATION

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special purpose funds (unless specifically exempted by statute), bond and interest funds, and business funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper on or before August 5<sup>th</sup> of the proposed budget and notice of public hearing on the budget.
3. Public hearing on or before August 15<sup>th</sup>, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25<sup>th</sup>.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There was a budget amendment made to general fund for this year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison schedules are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

**Adjustment for Qualifying Budget Credits** – Municipalities may use this line item for any budgeted fund. The adjustment would be a positive amount. All budget adjustments must be authorized by Kansas statutes. Examples include: expenditure of federal grant monies, gifts and donations, and receipts authorized by law to be spent as if they were reimbursed expenses.

All legal annual operating budgets are prepared using the regulatory basis of accounting in which revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.



# OTTAWA LIBRARY

## NOTES TO FINANCIAL STATEMENT

December 31, 2020

### NOTE D. BUDGETARY INFORMATION - continued

A legal operating budget is not required for the following special revenue funds:

Capital Improvement	Endowment
Friends of the Library	Franklin County Literature Festival

Spending in funds which are not subject to the legal annual operating budget requirements is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing board.

### NOTE E. CASH AND INVESTMENTS

K.S.A. 9-1401 establishes the depositories which may be used by the Library. The statute requires banks eligible to hold the Library's funds have a main or branch bank in the county in which the Library is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the bank to pledge securities for deposits in excess of FDIC coverage. The Library has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Library's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. Government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Library has no investment policy that would further limit its investment choices.

*Concentration of credit risk* - State statutes place no limit on the amount the Library may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405. The Library has no investments other than money markets.

*Custodial credit risk – deposits:* Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. State statutes require the Library's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. There were no designated "peak periods" during the year. All bank deposits were legally secured at December 31, 2020.

At December 31, 2020, the carrying amount of the Library's cash was \$396,460 (which includes \$140 in cash on hand) and the bank balance was \$408,037. The bank balance was held by three banks, which reduces concentration of credit risk. The difference between carrying amount and bank balance is outstanding checks and deposits. Of the bank balance, \$408,037 was covered by federal depository insurance, and \$0 was collateralized with securities held by the pledging financial institution's agents in the Library's name.

At December 31, 2020, the carrying amount of the related municipal entity (Friends of the Library) cash was \$4,053 and the bank balance was \$3,553. The bank balance was held by one bank resulting in a concentration of credit risk. The difference between carrying amount and bank balance is outstanding checks and deposits. Of the bank balance, \$4,053 was covered by federal depository insurance.

At December 31, 2020, the carrying amount of the related municipal entity (Franklin County Literature Festival) cash deposits were \$31,581 and the bank balance was \$31,581. The bank balance was held by one bank resulting in a concentration of credit risk. The difference between carrying amount and bank balance is outstanding checks and deposits. Of the bank balance, \$4,053 was covered by federal depository insurance.

*Custodial credit risk – investments:* For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments be adequately secured. The Library (other than the Endowment as described below) had no such investments at year-end.

# OTTAWA LIBRARY

## NOTES TO FINANCIAL STATEMENT

December 31, 2020

### NOTE E. CASH AND INVESTMENTS – continued

The rating of the Endowment's investments is noted below. The Endowment fund has (a 501(c) 3 not for profit corporation) invested in money markets, equities and fixed income mutual funds. The Endowment is not subject to K.S.A. 12-1675.

Carrying value represents original cost and reinvested income. Investments are reported on the financial statements at carrying value. Fair value is market value based upon quoted market prices.

Investment Type	Fair Value	Carrying Value	Maturity	Rating
Money Market Accounts	\$ 21,810	\$ 21,810	Annually	N/A
Cash & Equivalents	29,928	29,928	Annually	N/A
Equities - Mutual Funds	432,012	327,053	Annually	N/A
Fixed Income - Mutual Funds	220,812	210,258	Annually	N/A
	<u>\$ 704,562</u>	<u>\$ 589,049</u>		

*Concentration of Credit Risk:* State statutes place no limit on the amount the Endowment may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405. The Library's allocation of investments as of December 31, 2020 is as follows:

Investments	Percentage of Investments
Money Market Accounts	9%
Equity Mutual funds	56%
Fixed Income Mutual Funds	35%

*Custodial credit risk – investments.* For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the Library will not be able to recover the value of its investments of collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured. The investments listed below are not secured as described in state statutes:

Fixed Income	\$ 210,258
Equity Mutual funds	327,053

### NOTE F. LAND PURCHASE EXPENSE

As of December 31, 2019, the Library purchased land at a cost of \$317,874. The land was purchased for the purposes of a building new library. While the Library works on plans for the new building, the Library has temporarily leased the land. The Library received the following amounts in regards to leases for the year ended December 31, 2020:

Lease Income:	
228 W 15 Street - House	\$ 12,460
240 W 15 Street	4,200
228 W 15 Street - Building	3,600
Rental Deposits	
House	<u>50</u>
Total Income from Leases	<u>\$ 20,310</u>

# OTTAWA LIBRARY

## NOTES TO FINANCIAL STATEMENT

December 31, 2020

### NOTE G. INTERFUND TRANSFERS

Operating transfers were as follows:

<u>Transfer to:</u>	<u>Transfer from:</u>	<u>Statutory Authority</u>	<u>Amount</u>
Capital improvement	General	K.S.A. 12-118	\$ 104,900
Endowment	Capital improvement	K.S.A. 12-118	8,262

### NOTE H. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS

*Other Post-Employment Benefits:* As provided by K.S.A. 12-5040, the Library allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the Library is subsidizing the retiree's health insurance plan because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been qualified in this financial statement.

Under the Consolidated Omnibus Budget Reconciliation Act (CORBA), the Library makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured.

*Compensated Absences:* Full time employees may accrue vacation at varying intervals according to length of service up to a maximum of 160 hours. Vacation is paid upon resignation or retirement.

Sick leave accrues at the rate of 8 hours per month for full-time employees, up to a maximum of 960 hours. A percentage of accrued sick leave may be paid to employees in good standing upon resignation or retirement, according to their years of service. The Library's policy is to record vacation and sick leave expense when paid.

There is no accrual for vacation or sick leave in these financial statements. The amounts if accrued for vacation and sick leave would be \$69,538.

*Death and Disability Other Post-Employment Benefits:* As provided by K.S.A. 74-4927, disabled members in the Kansas Public Employees Retirement System (KPERS) receive long-term disability benefits and life insurance benefits. The plan is administered through a trust held by KPERS that is funded to pay annual benefits. The employer contribution rate is set at 1% for the Year ended December 31, 2020.

### NOTE I. DEFINED BENEFIT PENSION PLAN

#### General Information about the Pension Plan

*Plan description* - The Ottawa Library participates in the Kansas Public Employees Retirement System (KPERS) which is a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901. et. seq. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERS website at [www.kpers.org](http://www.kpers.org) or by writing to KPERS (611 S Kansas, Suite 100, Topeka, Kansas 66603) or by calling 1-888-275-5737.

*Contributions* - KSA 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2 or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009, and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2, and KPERS 3 members. Member contributions are withheld by their employer and paid to KPERS according the provisions of Section 414(h) on the Internal Revenue Code.

## OTTAWA LIBRARY

### NOTES TO FINANCIAL STATEMENT

December 31, 2020

#### NOTE I. DEFINED BENEFIT PENSION PLAN - continued

State law provides that the employer contribution rates for KPERS 1, KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1% contribution rate for Death and Disability Program) and the statutory contribution rate was 8.61% for the fiscal year ended December 31, 2020. Contributions to the pension plan for the Library were \$44,069 for the year ended December 31, 2020.

#### Net Pension Liability

At December 31, 2020, the Library's proportionate share of the collective net pension liability reported to KPERS was \$419,770. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019, which was rolled forward to June 30, 2020. The Library's proportion of the net pension liability was based on the ratio of the Library's contributions to KPERS, relative to the total employer and non-employer contributions of the Local subgroup within KPERS. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in these financial statements.

The complete actuarial valuation report including all actuarial assumptions and methods, and the report on allocation of the KPERS collective net pension liability to all participating employers are publicly available on the website at [www.kpers.org](http://www.kpers.org) or can be obtained as described above.

#### NOTE J. RISK MANAGEMENT

The Library is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Library carries commercial insurance. Settlement of claims has not exceeded commercial insurance coverage in any of the last three fiscal years.

#### NOTE K. OTHER INFORMATION

##### *COVID-19*

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Library's financial condition, liquidity and future results of operations. Management is actively monitoring the global and local situation on its financial condition, liquidity, operations, suppliers, industry and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Library is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition or liquidity for fiscal year 2020. Future potential impacts may include decrease in certain revenues, etc. and disruptions or restrictions on the Library's ability to operate under its current mission and operating model.

##### *CRF and CARES Act Funding*

As a result of COVID-19, the State of Kansas has received Coronavirus Relief Funds (CRF) under the Coronavirus Aid, Relief and Economic Security (CARES) Act. The CRF were passed through from the State of Kansas through Strengthening People and Revitalizing Kansas (SPARK). The Library received CRF in the amount of \$11,000 during 2020. The CRF funds are to be used to strengthen health, to allow the economy to reopen safely and to remain open. The goals are to be fair, impactful and timely. Additional information and updates on SPARK, the CARES Act and CRF, which includes audit requirements, can be found at <https://covid.ks.gov/>.

## OTTAWA LIBRARY

### NOTES TO FINANCIAL STATEMENT

December 31, 2020

#### NOTE K. OTHER INFORMATION - continued

##### *CRF and CARES Act Funding - continued*

Under the CARES Act, the CRF may be used to cover costs that:

1. Were incurred during the period that begins on March 1, 2020, and ends on December 30, 2020.
2. Are necessary expenditures incurred due to the public health emergency with respect to COVID-19.
3. Are NOT accounted for in the budget most recently approved as of March 27, 2020 (the date of enactment of the CARES Act) for the State or municipality. The "most recently approved" budget refers to the enacted budget for the relevant fiscal period for the particular municipality. A cost meets this requirement if:
  - a. The cost cannot lawfully be funded using a line item, allotment or allocation within that budget; OR
  - b. The cost is for a substantially different use from any expected use of funds in such a line item, allotment, or allocation.
  - c. A cost is not considered to have been accounted for in a budget merely because it could be met using a budgetary stabilization fund, rainy day fund or similar reserve account.

*Ad Valorem Tax Revenue:* The determination of assessed valuation and the collections of property taxes for all political subdivisions in the State of Kansas is the responsibility of the various counties. The County Appraiser's office annually determines assessed valuation and the County Clerk spreads the annual assessment to the taxing units. One-half of the property taxes are due December 20 and distributed to the Library by January 20 to finance a portion of the current year's budget. The second half is due May 20 and distributed to the Library by June 5. The Library draws available funds from the County Treasurer's office at designated times throughout the year.

*Reimbursed Expenses:* The Library records reimbursable expenditures in the fund, which made the disbursement and records the reimbursement as revenue in the same fund. For purposes of budgetary comparisons, the reimbursements are shown as adjustments for qualifying budget credits.

*Compliance with Kansas Statutes:* References made herein to the statutes are not intended as interpretations of law, but are offered for consideration of the State Director of Accounts and Reports and interpretation by the legal representative of the municipality.

Management is not aware of any statutory violations in the period covered by this audit.

*Use of restricted versus unrestricted unencumbered cash and receipts:* The Library uses restricted unencumbered cash and receipts first when both restricted and unrestricted unencumbered cash and receipts are available.

*Subsequent Events:* The Library evaluated subsequent events through April 30, 2021, the date the financial statements were available to be issued. No subsequent events were identified which require disclosure.

REGULATORY BASIS  
SUPPLEMENTARY INFORMATION

# OTTAWA LIBRARY

Schedule 1

## SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET

REGULATORY BASIS

For the year ended December 31, 2020

<u>Fund</u>	<u>Certified Budget</u>	<u>Adjustment for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance Over (Under)</u>
<b>Governmental Type Funds</b>					
General fund	\$ <u>1,257,511</u>	\$ <u>0</u>	\$ <u>1,257,511</u>	\$ <u>1,074,821</u>	\$ <u>(182,690)</u>

See Independent Auditor's Report.



# OTTAWA LIBRARY

Schedule 2a

## GENERAL FUND

### SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET REGULATORY BASIS

For the year ended December 31, 2020

(With comparative actual totals for the prior year ended December 31, 2019)

		2020		Variance
	2019	Actual	Budget	Over (Under)
<b>Cash Receipts</b>				
Appropriation from City	\$ 924,822	\$ 1,049,003	\$ 1,055,165	\$ (6,162)
Interest income	655	630	600	30
State aid	3,734	5,030	3,500	1,530
NEKLS grant	37,144	38,521	33,949	4,572
Fines and fees	15,853	9,703	14,960	(5,257)
Copier & computer income	6,834	4,944	7,040	(2,096)
Endowment Interest	0	0	8,400	(8,400)
Gifts	3,965	1,188	200	988
Program Income	68	81	100	(19)
Grants/Fundraising	1,986	14,727	0	14,727
Snack machine income	2,333	1,272	0	1,272
Community reads	12,281	5,796	0	5,796
	<u>1,009,675</u>	<u>1,130,895</u>	<u>\$ 1,123,914</u>	<u>\$ 6,981</u>
<b>Total cash receipts</b>				
	<u>1,009,675</u>	<u>1,130,895</u>	<u>\$ 1,123,914</u>	<u>\$ 6,981</u>
<b>Expenditures</b>				
<b>Salaries and Benefits</b>				
Staff salaries	555,893	588,893	\$ 591,690	\$ (2,797)
Social security	40,242	41,490	44,792	(3,302)
KPERS	44,516	44,069	44,231	(162)
Employee insurance	43,587	44,697	72,173	(27,476)
Unemployment	524	536	586	(50)
Workers' compensation	2,916	1,180	3,500	(2,320)
Officer & director practice insurance	1,712	1,636	1,700	(64)
	<u>689,390</u>	<u>722,501</u>	<u>758,672</u>	<u>(36,171)</u>
<b>Materials and Programs</b>				
Juvenile books	34,322	30,991	29,330	1,661
Adult books	44,739	37,781	47,950	(10,169)
Periodicals	6,516	6,530	6,520	10
Audio visual materials	26,893	33,424	29,471	3,953
Audio visual materials - children	6,830	6,687	7,100	(413)
Programs	4,000	5,000	5,000	0
Purchases from gift & grant receipts	3,724	10,343	0	10,343
Electronic access	700	859	1,000	(141)
	<u>127,724</u>	<u>131,615</u>	<u>126,371</u>	<u>5,244</u>

See Independent Auditor's Report.

# OTTAWA LIBRARY

Schedule 2a

## GENERAL FUND

### SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET REGULATORY BASIS

For the year ended December 31, 2020

(With comparative actual totals for the prior year ended December 31, 2019)

		2020		Variance Over (Under)
	2019	Actual	Budget	
<b>Expenditures (continued)</b>				
<b>Operating</b>				
Building insurance	\$ 5,634	\$ 5,725	\$ 5,300	\$ 425
Audit	3,679	3,788	3,650	138
Gas	3,820	2,287	3,660	(1,373)
Water and electric	21,222	17,894	20,740	(2,846)
Telephone	5,910	5,477	5,710	(233)
Postage	2,018	1,763	2,000	(237)
Public relations	2,500	2,838	2,500	338
Building maintenance	21,124	21,267	22,500	(1,233)
Office supplies	13,076	11,701	16,000	(4,299)
Copier and computer expense	3,382	2,213	4,000	(1,787)
Professional meetings, memberships, tr	10,000	10,000	10,000	0
Equipment purchases	5,921	7,131	7,000	131
Equipment rental and repair	8,687	8,274	5,300	2,974
Miscellaneous	575	496	400	96
Automation support	6,577	6,278	6,350	(72)
Collection Agency	1,083	63	1,100	(1,037)
Computer software upgrades	2,491	2,240	2,500	(260)
Reserve	0	0	82,597	(82,597)
Snack machine income	1,909	833	0	833
Community reads expense	10,274	5,537	0	5,537
Transfers out	90,000	104,900	171,161	(66,261)
	219,882	220,705	372,468	(151,763)
Total expenditures	1,036,996	1,074,821	\$ 1,257,511	\$ (182,690)
Receipts over (under) expenditures	(27,321)	56,074		
Unencumbered cash, beginning of year	160,856	133,535		
Unencumbered cash, end of year	\$ 133,535	\$ 189,609		

See Independent Auditor's Report.

# OTTAWA LIBRARY

Schedule 2b

## SPECIAL PURPOSE FUNDS CAPITAL IMPROVEMENT FUND SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL REGULATORY BASIS For the year ended December 31, 2020 (With comparative actual totals for the prior year ended December 31, 2019)

	2019 Actual	2020 Actual
<b>Cash receipts</b>		
Interest	\$ 242	\$ 221
Gant/Fundraising	3,094	2,648
Lease Income	5,081	20,260
Rent Deposit Income	650	0
Donations	0	2,550
Transfers in	290,000	104,900
Total cash receipts	299,067	130,579
<b>Expenditures</b>		
Land Purchase Expense	317,874	0
Capital Improvements	22,926	44,731
Transfers out	0	8,262
Total expenditures	340,800	52,993
Receipts over (under) expenditures	(41,733)	77,586
Unencumbered cash, beginning of year	139,799	98,066
Unencumbered cash, end of year	\$ 98,066	\$ 175,652

See Independent Auditor's Report.

# OTTAWA LIBRARY

Schedule 2c

RELATED MUNICIPAL ENTITY  
**ENDOWMENT FUND**  
 SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL  
 REGULATORY BASIS  
 For the year ended December 31, 2020  
 (With comparative actual totals for the prior year ended December 31, 2019)

	2019 Actual	2020 Actual
<b>Cash receipts</b>		
Contributions	\$ 5,542	\$ 27,696
Dividends	9,737	11,039
Sale of investments	311,852	128,291
Capital gains	12,120	6,396
Cost of investments sold	(307,643)	(126,829)
Transfers in	175,000	8,262
	<u>206,608</u>	<u>54,855</u>
<b>Total cash receipts</b>		
<b>Expenditures</b>		
Trustee and other fees	4,765	5,672
Transfer Out	200,000	0
	<u>204,765</u>	<u>5,672</u>
<b>Total expenditures</b>		
Receipts over (under) expenditures	1,843	49,183
Unencumbered cash, beginning of year	<u>516,213</u>	<u>518,056</u>
Unencumbered cash, end of year	\$ <u><u>518,056</u></u>	\$ <u><u>567,239</u></u>

See Independent Auditor's Report.

# OTTAWA LIBRARY

Schedule 2d

RELATED MUNICIPAL ENTITY  
**FRIENDS OF THE LIBRARY**  
 SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL  
 REGULATORY BASIS  
 For the year ended December 31, 2020  
 (With comparative actual totals for the prior year ended December 31, 2019)

	2019 Actual	2020 Actual
<b>Cash receipts</b>		
Membership	\$ 1,875	\$ 1,994
Book sale	4,907	4,405
Interest	15	3
Donations	176,000	0
Franklin City Literature Festival Income	582	400
Other	0	1,500
	<hr/>	<hr/>
Total cash receipts	183,379	8,302
	<hr/>	<hr/>
<b>Expenditures</b>		
Newsletter	419	359
Reading programs	2,308	1,558
Memorials	500	500
Member expense	225	228
Franklin Co. Children's Literature Festival	1,000	1,000
O-Town Reads Project	750	750
Organizational Dues	25	25
Friends of the Library Building	408	408
Misc. Expense	500	0
Bookmarks	475	314
Endowment Fund Contribution	500	500
KS Reads to Preschoolers	82	61
Adult Summer Reading	658	520
Other	0	1,500
Transfers out	175,000	0
	<hr/>	<hr/>
Total expenditures	182,850	7,723
	<hr/>	<hr/>
Receipts over (under) expenditures	529	579
	<hr/>	<hr/>
Unencumbered cash, beginning of year	3,024	3,553
	<hr/>	<hr/>
Unencumbered cash, end of year	\$ 3,553	\$ 4,132
	<hr/>	<hr/>

See Independent Auditor's Report.

**OTTAWA LIBRARY**

Schedule 2e

RELATED MUNICIPAL ENTITY  
**FRANKLIN COUNTY LITERATURE FESTIVAL**  
 SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL  
 REGULATORY BASIS

For the year ended December 31, 2020  
 (With comparative actual totals for the prior year ended December 31, 2019)

	2019 <u>Actual</u>	2020 <u>Actual</u>
<b>Cash receipts</b>		
Membership	\$ 120	\$ 0
Donations	13,629	11,345
Banquet	<u>631</u>	<u>0</u>
 Total cash receipts	 <u>14,380</u>	 <u>11,345</u>
 <b>Expenditures</b>		
Affiliation	400	400
Airfare	1,563	0
Bookmarks	88	0
Sponsor books	78	0
Books/CDs	565	600
Honorarium	12,000	0
Hotel	722	0
Insurance	386	0
Meals & entertainment	772	0
Office supplies	75	55
Postage	66	0
Travel	<u>746</u>	<u>519</u>
 Total expenditures	 <u>17,461</u>	 <u>1,574</u>
 Receipts over (under) expenditures	 (3,081)	 9,771
 Unencumbered cash, beginning of year	 <u>24,891</u>	 <u>21,810</u>
 Unencumbered cash, end of year	 <u>\$ 21,810</u>	 <u>\$ 31,581</u>

See Independent Auditor's Report.

## SPECIAL REPORT



## **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Ottawa Library Board  
Ottawa, Kansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the regulatory basis financial statements of Ottawa Library, Ottawa, Kansas as of and for the year ended December 31, 2020 and the related notes to the financial statements, which collectively comprise Ottawa Library's basic financial statements, and have issued our report thereon dated April 30, 2021. The Library prepares its financial statements on a regulatory basis of accounting which demonstrates compliance with the Kansas Municipal Audit and Accounting Guide, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Library's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Library's internal control. Accordingly, we do not express an opinion on the effectiveness of Library's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

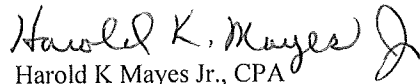
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Harold K. Mayes Jr.".

Harold K Mayes Jr., CPA  
Agler & Gaeddert, Chartered  
Ottawa, Kansas  
April 30, 2021